

**RURAL WATER  
ASSOCIATION OF UTAH**

**Financial Statements**

December 31, 2005 and 2004

## TABLE OF CONTENTS

	Page
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to the Financial Statements	6
<b>Supplemental Information</b>	
Schedule of Expenditures of Federal Awards	11
Notes to Schedule of Expenditures of Federal Awards	12
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	15
Schedule of Findings and Questioned Costs	17
Schedule of Prior Audit Findings	18
Graphs	19



# HAWKINS CLOWARD & SIMISTER

CERTIFIED PUBLIC ACCOUNTANTS, LC

DAVID A. CLOWARD, CPA  
KEVIN L. SIMISTER, CPA  
O. JEFFERY WILDE, CPA  
MARK D. WHITTAKER, CPA  
DENTON R. ALEXANDER, CPA  
D. ERIC NUTTALL, CPA  
BRUCE D. GARFIELD, CPA  
CLINT L. PETERSON, CPA  
ANGELA ANDERSON, CPA

RICHARD E. HAWKINS, CPA  
KEITH T. BORUP, CPA  
RONALD K. HAWKINS, CPA

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rural Water Association of Utah  
76 Red Pine Drive  
Alpine, UT 84004

We have audited the accompanying statements of financial position of Rural Water Association of Utah (a nonprofit organization) as of December 31, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Water Association of Utah as of December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2006, on our consideration of Rural Water Association of Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements of Rural Water Association of Utah, taken as a whole. The Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Schedule of Expenditures of Federal Awards and the graphs are not required parts of the financial statements of Rural Water Association of Utah. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Hawkins Cloward & Simister, LC*

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

January 20, 2006

## **FINANCIAL STATEMENTS**

The financial statements as required by generally accepted accounting principles in the United States of America include:

Statements of Financial Position

Statements of Activities

Statements of Cash Flows

# RURAL WATER ASSOCIATION OF UTAH

## Statements of Financial Position

December 31, 2005 and 2004

### ASSETS

	2005	2004
<b>Current assets</b>		
Cash and cash equivalents (Notes 1 and 2)	\$ 29,671	\$ 107,963
Accounts receivable	8,530	4,469
State grants receivable	75,013	96,202
Federal grants receivable	116,819	56,511
Deposits	25,140	17,408
Prepaid expenses		2,509
Total current assets	<u>255,173</u>	<u>285,062</u>
<b>Net property and equipment (Notes 1 and 3)</b>	<u>426,449</u>	<u>359,941</u>
Total assets	<u>\$ 681,622</u>	<u>\$ 645,003</u>

### LIABILITIES AND NET ASSETS

<b>Current liabilities</b>		
Accounts payable	\$ 10,714	\$ 4,715
Deferred revenue	65,940	58,835
Accrued liabilities	18,626	29,920
Current portion long-liabilities (Note 6)	42,440	24,314
Total current liabilities	<u>137,720</u>	<u>117,784</u>
<b>Long-term liabilities (Note 6)</b>		
Notes payable	261,302	221,024
Less: current portion	(42,440)	(24,314)
Total long-term liabilities	<u>218,862</u>	<u>196,710</u>
Total liabilities	<u>356,582</u>	<u>314,494</u>
<b>Net assets</b>		
Temporarily restricted net assets (Note 1)	7,034	7,713
Unrestricted net assets		
Designated for sick leave (Note 1)	84,696	84,696
Undesignated	233,310	238,100
Total net assets	<u>325,040</u>	<u>330,509</u>
Total liabilities and net assets	<u>\$ 681,622</u>	<u>\$ 645,003</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# RURAL WATER ASSOCIATION OF UTAH

## Statements of Activities

For the years ended December 31, 2005 and 2004

	2005	2004
<b>Unrestricted net assets</b>		
Revenues		
Federal and state grants	\$ 951,774	\$ 868,363
Membership dues	170,755	157,120
Annual meeting	278,761	268,432
Advertising	7,210	18,833
Training fees	32,840	39,538
Summer conference	30,910	36,809
Interest income	1,735	1,672
Other	4,941	3,080
Net assets released from restriction	679	3,598
Total revenues	<u>1,479,605</u>	<u>1,397,445</u>
Expenses		
Salaries and wages	758,667	731,215
Depreciation	29,931	25,929
Annual conference	180,423	170,894
Summer conference	20,362	21,459
Northern conference	10,585	
Auto	24,882	8,747
Board	22,341	20,415
Committees	7,447	6,639
Dues, fees and licenses	12,513	10,928
Insurance	12,495	9,192
Legal and professional	20,781	18,392
Magazines and publications	23,200	27,668
Office	35,413	38,473
Postage	15,666	15,066
Supplies and materials	64,961	45,695
Telephone	17,082	17,301
Training	24,149	16,237
Travel	165,439	168,908
Utilities	5,757	4,590
Water rally	17,626	9,291
Interest	14,675	15,344
Total expenses	<u>1,484,395</u>	<u>1,382,383</u>
Change in unrestricted net assets	<u>(4,790)</u>	<u>15,062</u>
<b>Temporarily restricted net assets</b>		
Donations	5,091	5,888
Net assets released from restriction	<u>(5,770)</u>	<u>(3,598)</u>
Change in temporarily restricted net assets	<u>(679)</u>	<u>2,290</u>
<b>Change in Net Assets</b>	<u>(5,469)</u>	<u>17,352</u>
Net assets, beginning of year	<u>330,509</u>	<u>313,157</u>
Net assets, end of year	<u>\$ 325,040</u>	<u>\$ 330,509</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# RURAL WATER ASSOCIATION OF UTAH

## Statements of Cash Flows

For the years ended December 31, 2005 and 2004

	2005	2004
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (5,469)	\$ 17,352
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	29,931	25,929
Change in operating assets and liabilities		
Accounts receivable	(4,061)	12,586
State grants receivable	21,189	(37,005)
Federal grants receivable	(60,308)	3,773
Deposits	(7,732)	(17,408)
Prepaid expenses	2,509	(2,509)
Accounts payable	5,999	(9,793)
Accrued liabilities	(11,294)	1,679
Deferred revenue	7,105	7,624
Net cash provided (used) by operating activities	(22,131)	2,228
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(96,439)	(13,582)
Net cash used by investing activities	(96,439)	(13,582)
<b>Cash flows from financing activities</b>		
Repayment of notes payable	(56,161)	(24,282)
Proceeds from notes payable	96,439	10,582
Net cash provided (used) by financing activities	40,278	(13,700)
Net decrease in cash and cash equivalents	(78,292)	(25,054)
Cash and cash equivalents, beginning of year	107,963	133,017
Cash and cash equivalents, end of year	\$ 29,671	\$ 107,963

### Supplemental cash flow information

The Association paid \$15,344 of interest during the year ended December 31, 2004.

The Association paid \$14,675 of interest during the year ended December 31, 2005.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.



## **NOTES TO FINANCIAL STATEMENTS**

The notes to the financial statements are included to provide information that is essential to a user's understanding of the financial statements.

## **RURAL WATER ASSOCIATION OF UTAH**

### **Notes to the Financial Statements**

December 31, 2005 and 2004

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of Rural Water Association of Utah (the Association) have been prepared on the accrual basis following the accounting principles generally accepted for nonprofit organizations in the United States of America and present the financial position, the results of operations, and the cash flows of the Association.

##### **Reporting Entity**

Rural Water Association of Utah, a nonprofit organization, with its office located in Alpine, Utah was incorporated on August 11, 1980, for the purpose of, but not limited to, providing technical assistance to rural drinking water systems, both in operations and in the dissemination of information throughout the State of Utah.

##### **Basis of Accounting**

The Association maintains its records and prepares its annual financial report on the accrual basis of accounting. On the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

##### **Cash and Cash Equivalents**

The Association considers all demand deposits and certificates of deposit to be cash and cash equivalents.

##### **Fixed Assets**

The Association defines fixed assets as property with an initial purchase price of \$5,000 or greater. Fixed assets are recorded on the books at cost. Donated fixed assets are recorded at estimated fair market value at the time of donation. Depreciation of fixed assets is calculated over the estimated useful lives of the assets using the straight-line method. Upon the sale or retirement of fixed assets, the related asset costs and accumulated depreciation are removed from the applicable accounts and gain or loss on the disposal is recorded.

##### **Income Taxes**

The Association is a tax-exempt organization under Internal Revenue Code §501(a) and is classified as a §501(c)(3) public charity.

##### **Allocation of Costs**

Direct costs are charged directly to the appropriate program and indirect costs are allocated to the programs based on predetermined allocation rates. Certain expenses that cannot be charged to a specific program are recorded as supporting service expenses.

##### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements,

# **RURAL WATER ASSOCIATION OF UTAH**

## **Notes to the Financial Statements**

December 31, 2005 and 2004

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Estimates (continued)**

and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Revenue Recognition**

The statements of activities report the changes in the Association's net assets by each class of net assets (unrestricted, temporarily restricted, and permanently restricted) for the year. They also report information about the Association's revenues, gains, losses, expenses, and reclassifications. The Association doesn't have any permanently restricted net assets.

Revenues from providing services are recorded in the financial statements as increases in unrestricted net assets when amounts are realized or realizable and are earned. Contributions are recognized when a contribution is received or when an unconditional promise to give assets is received. Contributions are reported within the unrestricted net asset class unless they are restricted for a specific use by the donor. Thus, contributions may represent unrestricted, temporarily restricted, or permanently restricted support, depending on the presence or absence of donor-imposed restrictions.

Expenses are always reported as decreases in unrestricted net assets, including those expenses incurred to satisfy a donor's restriction.

Gains and losses generally result from sales of equipment and are reported as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulation.

Expirations of donor restrictions, either time or purpose restrictions, are generally reported as simultaneous reclassifications between temporarily restricted net assets and unrestricted net assets. Reclassifications are reported as separate items on the statements of activities.

No allowance for doubtful accounts receivable has been made since management believes all amounts will be collected in the near future. The policy for determining when receivables are past due is based on the most recent payments received.

#### **Net Assets**

Net assets can be used to further the purposes of the Association. The Association has temporarily restricted net assets for the purpose of research and education. The Board has designated \$84,696 of net assets to cover estimated sick leave.

#### **Reclassifications**

Certain data for the prior year has been reclassified to conform to the December 31, 2005 presentation.

## **RURAL WATER ASSOCIATION OF UTAH**

### **Notes to the Financial Statements**

December 31, 2005 and 2004

#### **NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents that potentially subject the Association to credit risk include cash on deposit in checking and savings accounts and certificates of deposit. The cash bank balances at December 31, 2005 and 2004 were \$34,368 and \$56,263, respectively.

At December 31, 2005 and 2004, the Association held various certificates of deposit with varying maturity dates of six months to two years totaling \$52,113 and \$81,477, respectively. The carrying amount of the certificates of deposit approximate fair value. All checking, savings, and certificates of deposit balances, are insured by the Federal Deposit Insurance Corporation.

#### **NOTE 3 – FIXED ASSETS**

Fixed assets are summarized as follows:

	<u>2005</u>	<u>2004</u>	<u>Life</u>
Building	\$ 349,888	\$ 349,888	40
Computers	14,286	18,684	3-5
Equipment	42,587	42,587	3-10
Furniture and fixtures	16,101	16,101	5-15
Vehicles	183,169	86,730	5
Accumulated depreciation	<u>(179,582)</u>	<u>(154,049)</u>	
Total fixed assets	<u>\$ 426,449</u>	<u>\$ 359,941</u>	

#### **NOTE 4 – DEFERRED COMPENSATION PLANS**

On January 1, 1998, the Association established a 401(k) plan. Employees who meet certain age and service requirements are eligible to participate in the plan. For the years ended December 31, 2005 and 2004, contributions by employees were \$28,390 and \$27,545, respectively, and contributions by the Association were \$35,897 and \$34,891, respectively.

#### **NOTE 5 – ECONOMIC DEPENDENCY**

The Association receives much of its revenue as a recipient of grants from public sources; these grants represent 64% and 61% of total revenues for the years ended December 31, 2005 and 2004, respectively.

# RURAL WATER ASSOCIATION OF UTAH

## Notes to the Financial Statements

December 31, 2005 and 2004

### NOTE 6 – NOTES PAYABLE

Notes payable at December 31, 2005 consist of the following:

Note payable to a credit corporation of \$9,088, payable in monthly payments of \$273, including interest of 5.14%, secured by a vehicle, maturing September 2006.	\$ 2,674
Note payable to Zions Bank of \$195,738, payable in monthly payments of \$1,901, including interest of 6.57%, secured by a building, maturing December 2016.	166,939
Note payable to a credit corporation of \$15,360, payable in monthly payments of \$319, including interest of 5.24%, secured by a vehicle, maturing November 2007.	5,800
Note payable to a credit corporation of \$21,479, payable in monthly payments of \$385, including interest of 2.9%, secured by a vehicle, maturing September 2006.	3,421
Note payable to Zions Bank of \$18,882, payable in monthly payments of \$361 including interest of 5.5%, secured by vehicle, maturing January 2010.	15,782
Note payable to Zions Bank of \$18,325, payable in monthly payments of \$359 including interest of 6.6%, secured by vehicle, maturing March 2010.	17,279
Note payable to a credit corporation of \$15,360, payable in monthly payments of \$289 including interest of 4.9%, secured by a vehicle, maturing January 2008.	6,328

# RURAL WATER ASSOCIATION OF UTAH

## Notes to the Financial Statements

December 31, 2005 and 2004

### NOTE 6 – NOTES PAYABLE (CONTINUED)

Note payable to a credit corporation of \$22,325,  
payable in monthly payments of \$534 including  
interest of 7%, secured by a vehicle, maturing  
January 2009. 21,538

Note payable to a credit corporation of \$22,257,  
payable in monthly payments of \$533 including  
interest of 7.1%, secured by a vehicle, maturing  
October 2009. 21,541

\$ 261,302

Principal maturities are as follows:

Year ending December 31,	Principal	Interest	Total
2006	\$ 42,440	\$ 15,312	\$ 57,752
2007	36,411	13,225	49,636
2008	33,264	10,996	44,260
2009	33,257	8,746	42,003
2010	18,850	7,016	25,866
2011-15	97,080	17,101	114,181
Total	<u>\$ 261,302</u>	<u>\$ 72,396</u>	<u>\$ 333,698</u>

### NOTE 7 – DONATED SERVICES

Donated services are recognized as contributions when the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. No amounts have been reflected in the financial statements for donated services. Many individuals volunteer their time and perform a variety of tasks that assist the Association with specific programs and various assignments.

### NOTE 8 – OPERATING LEASE

The Association has entered into an operating lease for office equipment. The lease requires payments of \$487 per month through November 2009. The lease expense for the years ended December 31, 2005 and 2004 was \$6,914 and \$4,840, respectively.

## SUPPLEMENTARY INFORMATION

The supplementary information includes schedules, reports and graphs that are not required by accounting principles generally accepted in the United States of America, nor a part of the financial statements, but are presented for additional analysis.

Such statements and schedules include:

### Additional Schedules

- Schedule of Expenditures of Federal Awards and Notes
- Schedule of Findings and Questioned Costs
- Schedule of Prior Audit Findings

### Additional Auditors' Reports

- Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with *Government Auditing Standards*
- Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

### Graphs

**RURAL WATER ASSOCIATION OF UTAH**  
**Schedule of Expenditures of Federal Awards**  
For the year ended December 31, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture				
Technical Assistance and Training Grants	10.761		\$ 101,934	\$ 101,934
Technical Assistance and Training Grants	10.000	53-31ME-3-0001	211,044	<u>211,044</u>
Total Department of Agriculture				<u>312,978</u>
U.S. Environmental Protection Agency				
Training and Fellowships for the Environmental Protection Agency	66.607		92,112	92,112
Surveys, Studies, Investigations and Special Purpose Grants	66.606		97,198	97,198
Surveys, Studies, Investigations and Special Purpose Grants	66.606		99,352	<u>99,352</u>
Total Environmental Protection Agency				<u>288,662</u>
Passed through the State of Utah Division of Drinking Water				
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471		214,000	73,772
Performance Partnership Grants	66.605		60,000	60,000
Capitalization Grants for Drinking Water State Revolving Funds	66.468		198,240	176,805
Water Protection Grants to States	66.474		30,000	<u>26,639</u>
Total pass through funds State of Utah				<u>337,216</u>
Total expenditures				<u>\$ 938,856</u>



**RURAL WATER ASSOCIATION OF UTAH**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the year ended December 31, 2005**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

Revenues are recognized in the accounting period that qualifying expenditures occur. Expenditures are recognized in the accounting period in which the liability is incurred.

**NOTE 2 - LOANS OUTSTANDING**

The Association did not have any federally insured loans outstanding at year end.

**NOTE 3 - NON-CASH ASSISTANCE**

The Association did not receive any non-cash assistance for the year ended December 31, 2005.



# HAWKINS CLOWARD & SIMISTER

CERTIFIED PUBLIC ACCOUNTANTS, LC

DAVID A. CLOWARD, CPA  
KEVIN L. SIMISTER, CPA  
O. JEFFERY WILDE, CPA  
MARK D. WHITTAKER, CPA  
DENTON R. ALEXANDER, CPA  
D. ERIC NUTTALL, CPA  
BRUCE D. GARFIELD, CPA  
CLINT L. PETERSON, CPA  
ANGELA ANDERSON, CPA

RICHARD E. HAWKINS, CPA  
KEITH T. BORUP, CPA  
RONALD K. HAWKINS, CPA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Rural Water Association of Utah  
76 Red Pine Drive  
Alpine, UT 84004

We have audited the financial statements of Rural Water Association of Utah (a nonprofit organization) as of and for the year ended December 31, 2005, and have issued our report thereon dated January 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Rural Water Association of Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Rural Water Association of Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

1095 South 800 East, Suite 1 • PO Box 971810 • Orem, UT 84097 • 801-224-1900 • FAX: 801-224-1930

www.mycpa.com • Email: hcs@mycpa.com

This report is intended solely for the information and use of the Board of Directors, management, and applicable governmental entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hawkins Cloward & Simister, LC*

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

January 20, 2006



# HAWKINS CLOWARD & SIMISTER

CERTIFIED PUBLIC ACCOUNTANTS, LC

DAVID A. CLOWARD, CPA  
KEVIN L. SIMISTER, CPA  
O. JEFFERY WILDE, CPA  
MARK D. WHITTAKER, CPA  
DENTON R. ALEXANDER, CPA  
D. ERIC NUTTALL, CPA  
BRUCE D. GARFIELD, CPA  
CLINT L. PETERSON, CPA  
ANGELA ANDERSON, CPA

RICHARD E. HAWKINS, CPA  
KEITH T. BORUP, CPA  
RONALD K. HAWKINS, CPA

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors  
Rural Water Association of Utah  
76 Red Pine Drive  
Alpine, UT 84004

### COMPLIANCE

We have audited the compliance of Rural Water Association of Utah (a nonprofit organization) with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Rural Water Association of Utah's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rural Water Association of Utah's management. Our responsibility is to express an opinion on Rural Water Association of Utah's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rural Water Association of Utah's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Rural Water Association of Utah's compliance with those requirements.

In our opinion Rural Water Association of Utah complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

1095 South 800 East, Suite 1 • PO Box 971810 • <sup>15</sup>Orlando, UT 84097 • 801-224-1900 • FAX: 801-224-1930

www.mycpa.com • Email: hcs@mycpa.com

## INTERNAL CONTROL OVER COMPLIANCE

The management of Rural Water Association of Utah is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rural Water Association of Utah's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be a material weakness.

This report is intended solely for the information and use of the Board of Directors, management, and applicable governmental entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hawkins Cloward & Simister, LC*

HAWKINS CLOWARD & SIMISTER, LC  
CERTIFIED PUBLIC ACCOUNTANTS

January 20, 2006

**RURAL WATER ASSOCIATION OF UTAH**  
**Schedule of Findings and Questioned Costs**  
For the Year Ended December 31, 2005

**A. Summary of Auditors' Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of Rural Water Association of Utah.
2. There were no reportable conditions relating to the audit of the financial statements as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Rural Water Association of Utah were disclosed during the audit.
4. There were no findings relative to the internal control over compliance with major federal awards programs.
5. The auditor's report on compliance for the major federal awards programs for Rural Water Association of Utah expresses an unqualified opinion.
6. There were no findings relative to the major federal award programs.
7. The programs tested as major programs are:
  - a. Technical Assistance and Training Grants, CFDA No. 10.000
  - b. Training and Fellowships for the Environmental Protection Agency, CFDA No. 66.607
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Rural Water Association of Utah was determined to be a low risk auditee.

**B. Findings – Financial Statement Audit**

There were no findings.

**C. Findings and Questioned Costs – Major Federal Award Programs Audit**

There were no findings.

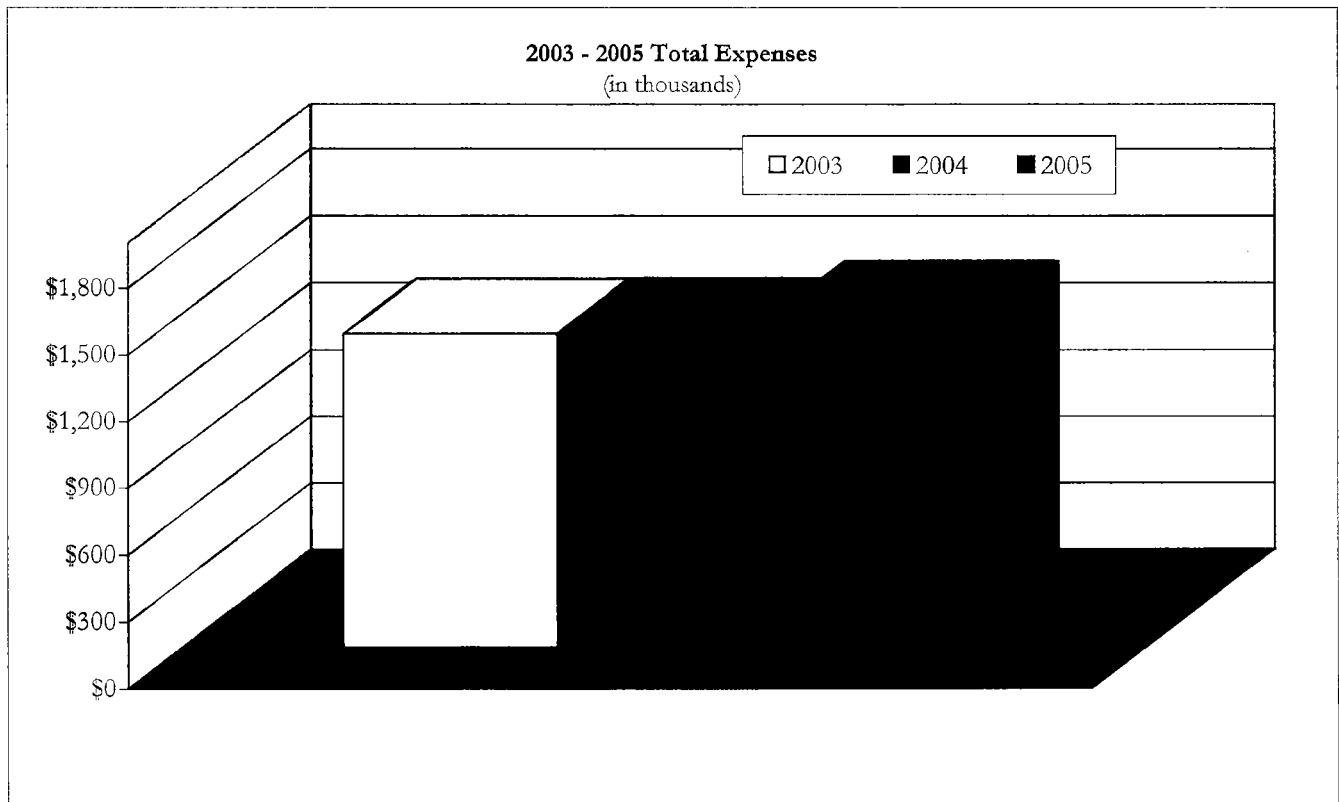
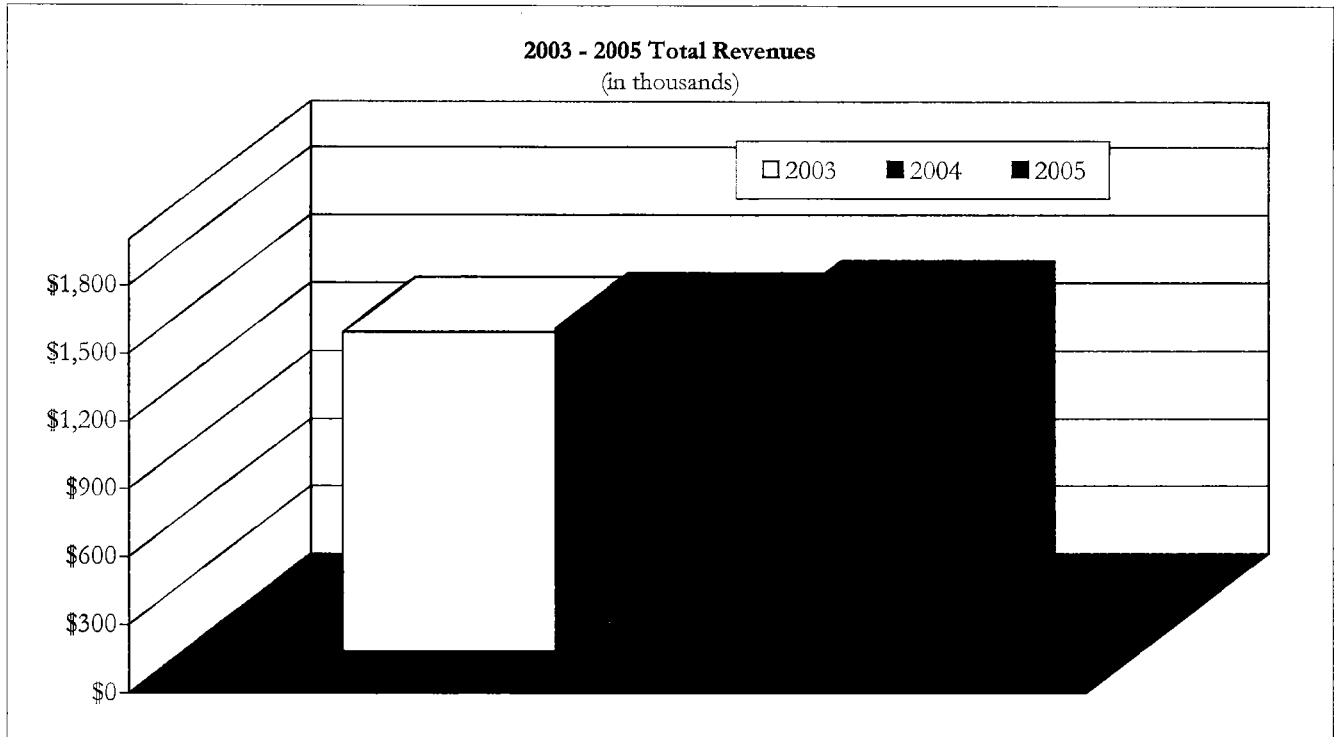
**RURAL WATER ASSOCIATION OF UTAH**  
**Schedule of Prior Audit Findings**  
For the Year Ended December 31, 2005

**Finding 2004-1** Review of bank reconciliation

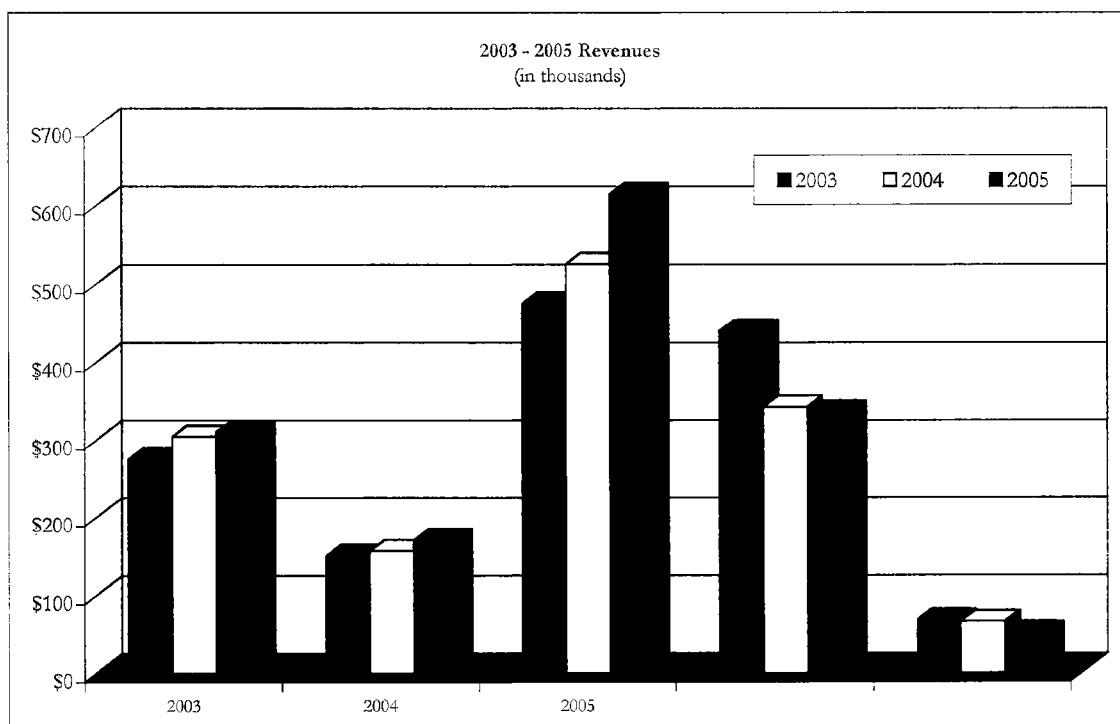
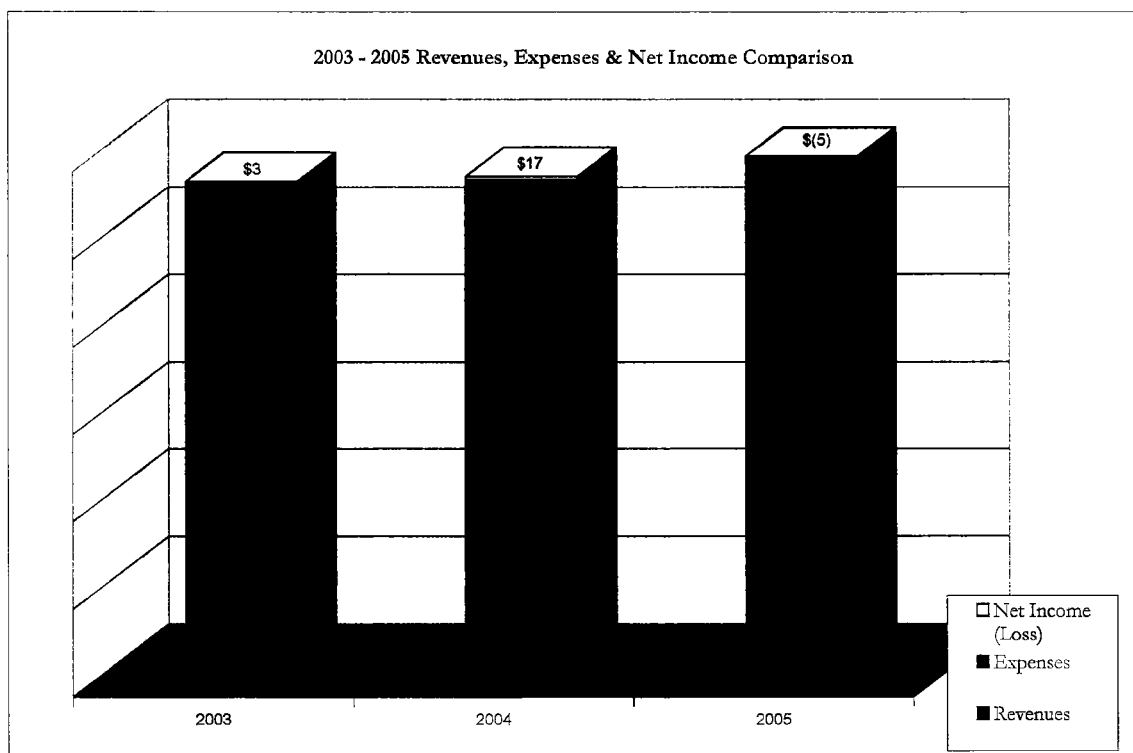
**Condition:** The Association performs the bank reconciliation in a timely manner, but the reconciliation is not being reviewed by someone other than the preparer, after it is completed.

**Recommendation:** We recommend the Association create a policy assigning an individual, other than the preparer, to review the bank reconciliation monthly.

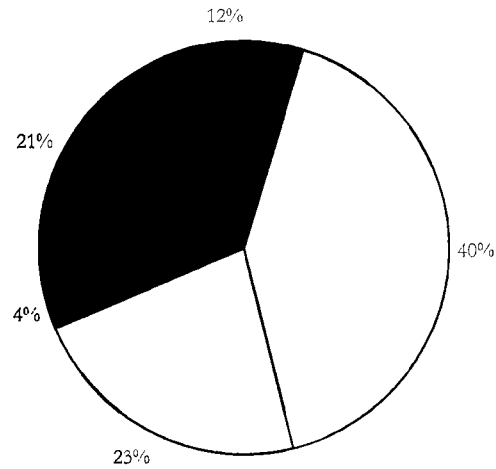
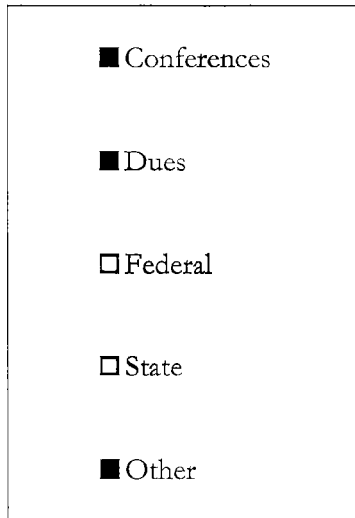
**Status:** This finding has been corrected.







### 2005 Revenues Allocation



### 2005 Expenses Allocation

